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Eleventh session

SUMMARY RECORD OF THE 5th MEETING

Held at the Vienna International Centre, Vienna,
on Wednesday, 30 June 1993, at 3 p.m.

President: Mrs. MACHADO QUINTELLA (Brazil)

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The meeting was called to order at 3.35 p.m.

REPORT OF THE PROGRAMME AND BUDGET COMMITTEE (continued) (IDB.11/15, IDB.11/5 and Add.1, IDB.11/6)

1. Mr. BIRULEV (Russian Federation) said that the explanation given by the Legal Adviser and statements made by other delegations at the previous meeting bore out his delegation's view that: firstly, there had been no decision to exclude Yugoslavia from membership in the Organization and the decision taken by the General Conference at its special session referred only to participation in the policy-making organs; secondly, since the question was political, the decision in UNIDO should be aligned with decisions in New York; thirdly, as long as the Constitution of UNIDO was not amended, Yugoslavia should continue to be listed in the scale of assessments.

2. Mr. VETTOVAGLIA (Switzerland) supported the statement made by the representative of the United Kingdom.

3. Mr. AL-ERYANI (Observer for Yemen) said that the scale of assessments should not contain mention of Yugoslavia. Yugoslavia's membership should be suspended until such time as Serbia and Montenegro applied to join UNIDO.

4. Mr. AL-SAEID (Kuwait) said he had received no reply to the question he had put at the previous meeting to the Legal Adviser, as to what was meant by the term "Yugoslavia" in the present context. He also wished to know who would pay the 0.17 per cent contribution provided for.

5. Mr. ULLAH (Pakistan) associated himself with the views expressed by the representatives of Austria, Turkey, Kuwait, Saudi Arabia and the Sudan.

6. Mrs. OK (Turkey) said that strong feelings had been expressed on the subject, but there had been no convergence of views, and no clear advice had been given by the Legal Adviser. She proposed that the debate be adjourned to allow consultations to take place.

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7. The PRESIDENT said that if there was no objection she would take it that the Board wished to adjourn consideration of the matter.

8. It was so decided.

UNIDO POLICIES (IDB.11/10, chap. I, IDB.11/14, IDB.11/20)

DEVELOPMENT OF HUMAN RESOURCES (IDB.11/10, chap. V, IDB.11/11; IDB.11/CRP.3)

UNIDO ACTIVITIES IN THE FIELD OF RESTRUCTURING, INCLUDING PRIVATIZATION (IDB.11/24)

9. The PRESIDENT invited the Board, in line with the tentative schedule agreed on by heads of delegations on 28 June, to consider first the aspects of agenda item 4, "UNIDO policies", covered in chapter I of the annual report of UNIDO for 1992 (IDB.11/10), in document IDB.11/14 and in IDB.11/20, in conjunction with item 8, "Development of human resources", and item 10, "UNIDO activities in the field of restructuring, including privatization".

10. Mr. DE MARIA Y CAMPOS (Director-General), introducing agenda item 8, said that the Secretariat had made every effort to respond to the request of the General Conference for the strengthening of the linkage between human resource development and the development and transfer of advanced technologies. That had been responded to within the technical cooperation programmes and projects, particularly the large-scale projects, which normally included a training component. However, the Secretariat continued to face the problem of a lack of adequate financial resources. Group training programmes, mainly financed from IDF funds, continued to provide the developing countries with opportunities to upgrade the skills of managerial and technical personnel at the middle and senior levels; that component of the programme had also benefited from the programme of cooperation among developing countries.

11. The experience gained by UNIDO in industrial human resource development could be extended to more developing countries and programmes, but the lack of adequate resources had been a limiting factor. A restructured UNIDO should be able to put into effect a renewed and strengthened programme for human resource development especially in technical areas related to industry and also in areas such as the development of entrepreneurs and managers and in particular technology management.

12. Mr. BEHRENS (Deputy Director-General, Department for Programme and Project Development), introducing agenda item 10 ("UNIDO activities in the field of restructuring, including privatization"), said that the subject reflected the widespread recognition that direct government intervention in industry had not succeeded in securing the desired degree of industrial development and that the private sector must assume a more dynamic role in pursuit of that goal. Many Governments had initiated extensive programmes of economic liberalization and deregulation, which were intended to provide private business with an appropriate legal and institutional framework conducive to investment, entrepreneurship and risk-taking. In almost all cases it had resulted in a significant increase in investment and in a strong shift in the balance of capital formation from the public to the private sector.

13. Privatization was an important element of the industrial restructuring process, and took many forms, ranging from the outright sale of public assets to the granting of operating concessions to private entrepreneurs. It was an immensely complex task for many countries, which often required substantial external support at the policy and strategy formulation level, the institutional level and the enterprise level. UNIDO sought to maintain a comprehensive and integrated modular capability for industrial restructuring and privatization to respond to the specific needs of each country (IDB.11/24, para. 14). Privatization had been included in the Organization's programmes since the 1990-1991 biennium, and in the past three years UNIDO had, among other things, organized and conducted workshops, undertaken diagnostic missions and backstopped technical cooperation projects in privatization. A number of proposals for further technical cooperation activities involving industrial restructuring and privatization in the context of national industrial strategies were being developed.

14. With adequate resources UNIDO could play a key role in the development of privatization practices in developing countries by undertaking appropriate research, conducting expert group meetings and workshops, organizing networks on privatization, disseminating information and knowledge, and helping to coordinate various aspects of privatization among multilateral and bilateral institutions. It intended to develop its services for the privatization of specific enterprises, industries and sectors, as well as to develop its capabilities to back-stop assistance to the privatization process in general.

15. Mr. BAKSHI (India) said that recent political and economic changes had generated renewed interest in the role of the private sector in development, although the public sector had played a crucial role in the development process in most economies, especially those of developing countries, and would continue to need careful attention. In the context of the restructuring of economies, the most important elements for growth and development were investment promotion, technology transfer, human resource development and privatization, and the success of the entire package of reforms would depend on effective implementation of each of those individual elements.

16. UNIDO had played a role in the industrial development of a number of developing countries, but many of those which were undergoing economic restructuring did not find that UNIDO was playing a very active role in that area, and it was debatable whether the Organization was equipped to deal with the newly emerging issues at the macro- and micro-levels effectively and expeditiously. UNIDO must be able to concentrate on all issues related to restructuring in a more aggressive manner and with a higher quality of performance. UNIDO was performing rudimentary work in the field, but the question had to be asked whether that work was adequate, how UNIDO compared with other agencies, whether it could take a lead and, if so, what needed to be done to achieve that end.

17. The developing countries and the emerging countries of Central and Eastern Europe had to take into account the views of aid givers. It was India's experience that even aid givers were now having second thoughts about the precipitate nature of the privatization undertaken thus far. Many privatization operations in the developing

countries had failed or had poor results because of the lack of neutral and objective advice. India had long experience of dealing with such matters, and might be able to help other developing countries to take informed decisions on privatization issues; India also wished to learn more about the experience of other developing countries, and UNIDO might provide the forum for an exchange of experience and the provision of quality advice.

18. He welcomed the fact that UNIDO intended to develop its capabilities and services for the privatization process, and proposed that a unit be set up, reporting directly to the Director-General, in which experts from different countries might work out a policy and an institutional arrangement within the Organization to deal with all such issues. The matter was very important and urgent; speed was essential if Member States were not to be overwhelmed by the turn of events.

19. Mr. ADEKANYE (Nigeria) said that rehabilitation had become a major focus of the new framework for placing UNIDO's activities in the area of small- and medium-scale industry on a programmatic basis. That was welcome and long overdue. Many such industries in Nigeria continued to experience difficulties and had not fulfilled the expectations behind their establishment; the proposed framework would assist in addressing those problems, as it would enhance UNIDO's advisory support functions through the mobilization of financial resources, access to sources of technological know-how, and networking and outreach activities.

20. Nigeria had implemented a number of policies to facilitate the operation of small- and medium-scale industries. Entrepreneurship development programmes of one kind or another had trained some 600 people, and national consultations had been held in 1992, with the assistance of ILO, UNIDO and other international organizations, as well as finance houses, with a view to formulating strategies for financing small- and medium-scale industries. Nigeria was also in the process of establishing a development agency for such enterprises to coordinate policies and activities relating to their development. Nigeria hoped to participate in the forum of experts from donor and recipient countries scheduled for September 1993, as outlined in paragraph 19 of document IDB.11/14.

21. It was established that the private sector should be strengthened as a vehicle for the industrialization of the developing countries, but the privatization of public enterprises in many countries continued to pose problems. Under Nigeria's privatization programme some 67 enterprises were due for full privatization, and another 25 for partial or full commercialization. The success of Nigeria's efforts thus far was due to the commitment of its Government as well as to the enthusiasm of Nigerian and foreign entrepreneurs. Nigeria had also benefited from cooperation provided by multilateral institutions. UNIDO was well placed to provide assistance to developing countries in their privatization efforts, and his delegation supported the vigorous role proposed for the Organization in that regard.

22. Turning finally to the Second Industrial Development Decade for Africa (IDDA), he recalled that it had been the result of the joint efforts of African Member States and UNIDO. The commitment to create an environment appropriate for the achievement of the goals of the Decade had been reiterated at the last meeting of the Conference of African Ministers of Industry (CAMI), held in Mauritius, but there was a need to move from rhetorical support to the commitment of resources and, while welcoming UNIDO's catalytic role, he wished to take the opportunity to encourage donor countries and development agencies to become similarly committed in order that the Second IDDA would not be yet another decade of lost opportunities for Africa.

23. Mr. HELLER (Mexico) recalled that the original proposal to establish programme frameworks for priority areas of the medium-term plan had come from the Group of 77 at the urging of the Latin American and Caribbean Group. His delegation therefore welcomed the full implementation by the Secretariat of decision IDB.9/Dec.2 requesting the Director-General to complete the programming of the 1992-1997 medium-term plan in regard to its five priority areas. Mexico agreed that the Board should ask the General Conference at its fifth session to approve the programme for small- and medium-scale industries and, with some adjustments, the programme for industrial rehabilitation and modernization. Privatization was a component of industrial rehabilitation and modernization, and it was proposed that an additional subprogramme be included relating to the industrial aspects of privatization along the lines set out in paragraphs 24-30 of document IDB.11/24.

24. The work done by the Organization within that framework should be directed towards analysing subjects connected with the privatization process, such as the incorporation of new enterprises into the economies of those countries, the long- and medium-term objectives, the multiplier effect on the economy and employment, and the regulatory framework developed in various countries to guarantee consumers' rights and the rights of domestic and foreign investors. Consideration should also be given to preventing the establishment of private monopolies which might distort the market and to identifying those sectors in which favourable results had been obtained, and the causes of any obstacles that had been encountered. In that context, UNIDO should take advantage of the work done by UNCTAD and UNDP, and coordination and communication should be established with IMF, the World Bank and GATT. It would also be desirable for a forum to be organized for the exchange of national experience in the field of industrialization and privatization.

25. Mr. YAT SIN (Observer for Mauritius) expressed full support for the policy initiated by the Director-General, especially concerning the African region in the context of the Second Industrial Development Decade for Africa and the practice of holding regular consultations with all concerned parties.

26. Mauritius had been appointed Chairman of the Committee of Ten responsible for following up action for the recently held eleventh meeting of the Conference of African Ministers of Industry, which had adopted a statement of the African common position for the fifth session of the General Conference of UNIDO. There had been a strong commitment throughout the Conference to effect necessary policy changes in order to encourage investment in industrialization and bring about internal change in terms of political

stability and economic policies. Consensus had been reached on fundamental political options and economic strategies to accelerate industrial development and emphasis had been placed on the need to devise new policies to attract investment, develop market economies, liberalize trade practices, promote the private sector, privatize State enterprises where appropriate and implement structural adjustments where necessary. A recurrent theme had been the prerequisite of establishing an overall enabling environment for industrialization.

27. The statement of the African common position focused on priority needs for Africa, namely accelerating the implementation of the Second IDDA, human resource development to expand industrial capacity and capability, industrial rehabilitation and modernization of existing production units, especially basic industries, assistance for the industrialization of the least developed countries in Africa, and the reorganization of UNIDO's staff structure to provide for a larger participation of African nationals in management positions.

28. The second major policy document adopted by the Conference, the Mauritius Declaration on Africa's Accelerated Industrial Recovery and Development in the context of the Second IDDA, marked a break with the past. Its salient features were: a commitment to creating an enabling environment for sustained growth and increased investment, requiring political stability, good governance and the rule of law; recognition of the need for a sound macroeconomic framework, including market exchange rates and interest rates, reduction of budget deficits and of bureaucratic controls, ensuring operational independence of public enterprises and the promotion of African private entrepreneurship; and recognition of the cardinal role of the private sector in the industrialization process. Finally, it had been recognized that UNIDO would have a crucial role to play in acting as a catalyst, together with other agencies, in helping African countries to bring about the necessary changes.

29. Mr. VELAZQUEZ (Peru), commending the report on UNIDO activities in the field of restructuring, including privatization (IDB.11/24), said that General Assembly resolutions 45/188, 46/166 and 47/171 were particularly relevant to the world today, including the majority of Latin American countries.

30. Far-reaching reforms in the State structure of Peru had proved crucial to the modernization of its institutions and productive system and had set the country firmly on the path to long-term stability. Two years previously, his Government had lifted exchange controls, liberalized prices and wages, introduced equal treatment for foreign and national investors, opened all economic sectors to investment, liberalized trade and capital flows and rationalized the system of taxation. The trade and investment system had been modernized, preparing the ground for economic restructuring, and a new privatization process had been set in motion. Peru now offered substantial incentives and facilities for foreign investment. By informing other Member States about the Peruvian experience, he wished to contribute to UNIDO's role as a forum for dialogue among Member States and international financial institutions for the benefit of the industrial development of the developing countries.

31. With regard to electronic data processing, he would welcome UNIDO's assistance in informing and advising Member States in that field with a view to accelerating investment in the industrial restructuring of countries that had initiated privatization processes or were intending to do so.

32. Mr. VIJAY (Commonwealth Secretariat) said that the role of the Industrial Development Unit (IDU) of the Commonwealth Secretariat was complementary to that of UNIDO, focusing primarily on the enterprise level, the small- and medium-scale sector and the small States of the Commonwealth. Since 1991, the Commonwealth Secretariat had introduced changes in its structure to meet the new challenges posed by the rapidly changing political and economic environment and had refocused its efforts on new priority areas in which it had a comparative advantage, and on targeting its activities more precisely. Emphasis had been placed on mutually reinforcing activities and ensuring that a critical mass of activity was undertaken to achieve impact, while maintaining the flexibility of the Secretariat so that it could respond rapidly to the needs of its members.

33. Under the new, more focused structure, the support provided by the Secretariat to the industrial development efforts of member countries had been further streamlined and strengthened in order to ensure more integrated, effective technical assistance. A new unit for liaison with non-governmental organizations was also to be established.

34. Three areas of IDU's work which were of particular relevance to the current needs of the developing countries and would benefit from UNIDO collaboration were restructuring and privatization, assistance to the small- and medium-scale sector and technical assistance to small States. IDU had assisted a number of developing countries in the area of restructuring and privatization by preparing their State-owned enterprises for divestiture. Its work included: the selection of enterprises for restructuring and/or divestiture; the restructuring of enterprises, which in some cases resulted in there being no need for privatization; financial, managerial and technical reviews of selected enterprises; review of the valuation of the enterprises; preparation of the confidential memoranda for sale; mobilization of investors; selection of appropriate methods for sale; negotiations for sale. It had already successfully assisted the Government of Zambia in its privatization programme, and discussions were currently under way with the Governments of Tanzania and Uganda. It had gained valuable experience over the years in undertaking restructuring work at the micro level, and would welcome collaboration with UNIDO in that area.

35. IDU's assistance to the small- and medium-scale sector related to the design of appropriate programmes, identification and transfer of appropriate technologies, installation and commissioning of plant and equipment, and training for technical and managerial staff. It had evolved an effective methodology for rendering practical assistance at minimal cost, permitting the acquisition of skills, creation of employment, especially in the most disadvantaged developing countries such as the small island States, and the facilitation of access to finance.

36. IDU had assisted over 400 industrial projects in the small States. IDU inputs concerned the

identification of industrial opportunities, strategic planning of Governments' small-scale policies, transfer and adaptation of appropriate technologies, entrepreneurship development and promotion of small businesses. The small-scale manufacturing sector was one of the main factors supporting economic growth in small island and disadvantaged countries. The importance of women and young people in the economic development of small States, representing as they did up to two thirds of the productive population, could not be overemphasized. Active cooperation with UNIDO would be much appreciated in that area.

37. Mr. KELLAND (Observer for Denmark), speaking on behalf of the European Community and its Member States, said that document IDB.11/14 represented an important step forward in developing UNIDO's policy in the area of small- and medium-scale industry, an essential component of development strategy in most developing countries and an area in which UNIDO had a comparative advantage and to which it should give high priority. In the implementation of the subprogrammes, cross-fertilization was essential, and the main aim should be to strengthen or establish a sustainable and enabling environment. That entailed, in particular, supporting efforts of local and regional authorities, strengthening industry associations, chambers of commerce and relevant financial institutions, and strengthening managerial capacity, research and development, training activities, and consultancy and extension services.

38. The intention to address problems at the enterprise level within the context of focused, integrated programmes was welcome. Such assistance should not lead to market distortion, must have a multiplier effect and should be based on clear criteria. The organization of a meeting of experts to further concentrate, refine and adapt the programme in the light of changing requirements of developing countries was another welcome initiative. UNIDO should improve and/or continue its coordination with other bodies of the United Nations system.

39. He supported the conclusions of the well-structured document on industrial rehabilitation and modernization (IDB.11/20). UNIDO should place particular emphasis on capacity building and should act as a sort of broker between foreign enterprises and consultants and enterprises requiring rehabilitation or modernization. It should bear in mind the special risk of market distortion in that area, and should ensure that its activities were consistent with its development objectives. It was regrettable that the document contained no reference to environmental aspects. New environmental technologies for cleaner and more effective processes and for less "end-of-pipeline" pollution must be introduced if the necessary quality criteria and international norms were to be met.

40. Turning to agenda item 8, he welcomed the in-depth evaluation of UNIDO industrial human resource development activities (see document IDB.11/CRP.3). Human resource development was one of the main priorities of the Organization. In a market-oriented industrial environment, the role of Governments would necessarily change and the industrial sector was expected to take more responsibility for its own human resource development. He agreed with the evaluation's proposed definition of industrial human resource development in paragraph 6 of document IDB.11/CRP.3. UNIDO's human resource development programmes should be based on employment and manpower development, science and technology and social issues. UNIDO should improve the coordination of its activities with other international organizations concerned, as well as its in-house coordination, taking into account the requirements of recipient countries. The inter-agency programme started by ESCAP offered opportunities for UNIDO involvement, as did those aspects of industrial human resource development which were no longer part of ILO and UNESCO programmes.

41. The new approach to human resource development would require systematic information-gathering, analysis, policy and strategy formulation leading to policy advice and programmes, and the operational use of feedback. Closer interaction should be sought between existing UNIDO programmes to develop and implement industrial human resource activities. UNIDO should develop a professional and systematic approach to its training activities, which should be of the highest standard and should support major UNIDO technical cooperation programmes to ensure a multiplier effect, sustainability and impact. In the restructuring of UNIDO, the Director-General should give due attention to the importance of human resource development, possibly by establishing a coordinating and policy-making human resource development branch, which did not necessarily mean that all human resource development expertise should be concentrated in one branch. Information on how the Director-General intended to follow up the recommendations of the evaluation report was awaited with interest.

42. Mrs. BECKER (United States of America) commended the comprehensive evaluation of UNIDO's human resource development programme financed by the Government of Germany and noted the recommendation that UNIDO should adopt a wider, more systematic definition of that issue, recognizing human resource development as a dynamic, sustainable activity that took account of factors such as economic and social conditions and their impact on industrial productivity, and that the programme should be approached from a number of different perspectives entailing more than training activities. The approach outlined in the summary of the evaluation (IDB.11/CRP.3, annex) would make it easier for UNIDO planners to make the modifications needed for a more comprehensive programme. While it did not wish to place undue restrictions on UNIDO's human resource development activities, her delegation continued to urge the Organization to coordinate its efforts closely with other international organizations such as UNESCO and ILO.

43. Given the severe budgetary constraints still faced by UNIDO, any additional funding for the human resource development programme from the regular budget should be reprogrammed from within existing resource limitations. She supported the recommendation, however, that UNIDO should work with UNDP and the World Bank to obtain additional funding for human resource development activities.

44. Mr. ROSSO OROZCO (Bolivia), after confirming Bolivia's continued cooperation with the Organization and noting with satisfaction that UNIDO was set on a new course, commended UNIDO's activities in promoting investment, an area of vital importance for his country, which had

undertaken structural adjustments that were beginning to yield highly positive results. Legislation on investment had been passed, a vigorous privatization programme had been undertaken and favourable conditions had been created to attract both domestic and foreign investment. He urged UNIDO to strengthen its activities in that area in order to consolidate economic growth.

45. Through its Country Director programme, UNIDO should help to establish a constructive relationship between Governments and the private sector in countries like his own where the private sector was playing an active part in transforming the productive sector. That should involve a decentralization of UNIDO's activities.

46. With regard to the medium-term plan, he fully agreed with the need for UNIDO to develop not only flexibility, capacity for change and increased efficiency and effectiveness, but also a thorough comprehension of country and regional needs (IDB.11/27, para. 5).

47. Regarding structural reform, he fully supported the work of the Task Force on Priorities and Structural Reform of UNIDO (see document IBD.11/CRP.4) and was convinced that the forthcoming General Conference session would take decisions of historic importance for UNIDO. He attached particular importance to the Secretariat's activities in preparing guidelines for projects financed by special trust funds; a system should be developed for accelerating approvals of such projects. Finally, he urged UNIDO to step up its efforts to promote regional cooperation and was gratified to note the intention to work in coordination and cooperation with international and regional financial institutions.

48. Mr. PISKUNOV (Russian Federation) said that State support for small- and medium-scale industries was an important component of Russia's current industrial policy. His delegation therefore supported the steps taken by UNIDO to develop programmes for small- and medium-scale enterprises. The objectives outlined in document IDB.11/14 were of great importance for many Member States. His delegation believed that they should be used as guidelines for UNIDO's future activities to support the creation of small- and medium-scale industries.

49. The development of such industries was not only of relevance for developing countries but was also directly related to economic reform in countries like his own that were in a period of transition. His delegation hoped that its position would be supported and reflected in the Secretariat's planning of its activities.

50. It would be useful to finalize the programme's organizational framework before the fifth session of the General Conference, when it was to be adopted. In carrying out the programme, mobilization of financial resources, including attraction of investment, provision of access to technology, development of a network for consultative services and organization of international exchange of data would be of particular significance. The work of the interdepartmental working group (see document IDB.11/14, para. 19) and the meeting to be held in September 1993 with experts from donor and recipient countries would help to make the programme more solid. His delegation was prepared to assist the Secretariat in pursuing such activities. It welcomed the successful contacts between Russian organizations and the Secretariat, as well as the participation of UNIDO representatives in the first and second international meetings on small- and medium-scale industries held in Moscow in 1991 and 1992.

51. Turning to document IDB.11/20, he said Russia was now carrying out large-scale efforts to rebuild and modernize in the industrial branch of its economy. His delegation was interested in the consultative services of UNIDO and supported the main lines of the relevant programme. Commercialization of industry and assistance to the production sector should be given greater attention; it was therefore encouraging to see that the framework for the programme had been reoriented to meet those requirements. His delegation looked forward to receiving detailed information on the activities and effectiveness of the interdepartmental working group in that field. It was of the view, however, that the programme's targets should not be determined by organizational restructuring: rather, the clarification of priorities in various fields of the Organization's activities must serve as the stimulus for restructuring.

52. Regarding document IDB.11/27, his delegation believed that the work of the Task Force on Priorities and Structural Reform of UNIDO should proceed in tandem with the consultations carried out by the President of the Board.

53. Turning to agenda item 8 on development of human resources, he said that, since human beings were both the foundation and the goal of development efforts in any society, the development of human resources was paramount in industrial development activities. His delegation was satisfied with UNIDO's work under the programme on development of human resources and with the attention being devoted by the Organization's leadership to that sphere of activity.

54. In drafting the programme on human resources, geographical aspects as well as the financial limitations of the Organization must be kept in mind. It would be desirable to concentrate on the tasks in that area that were of relevance to all Member States, including countries in transition. Such tasks included development of entrepreneurial activities, privatization and training of managers for small- and medium-scale enterprises.

55. Turning to item 10 on activities in the field of restructuring, including privatization, he said that privatization was a key to the economic reforms being carried out in his country. Because it was being instituted on such a massive scale, the privatization process itself was extremely complex and its consequences must be considered with great care. The process did not automatically ensure effective production or balanced structures. Governments must therefore formulate priorities and stimulate the expansion of privatized enterprises and the coordination of their activities; his delegation supported the efforts made by the Secretariat in that area.

56. The problem of restructuring and privatization was of relevance not only for developing countries, but also for economic reform in countries in transition. His delegation was greatly interested in receiving consultative services from UNIDO in

that area. The incorporation of that objective in the Secretariat's plans would be desirable.

57. His delegation was pleased with the expanding contacts between Russian organizations and the Secretariat and considered that the participation of UNIDO representatives in the seminar on privatization held in Moscow had been very useful. Additional financial and staff resources should be allocated to UNIDO's activities in the area of privatization. His delegation advocated strengthening the department dealing with the subject and believed it should coordinate UNIDO's activities in such a way that privatization became an integral part of the entire process of industrial restructuring.

58. Mr. GALAT (Observer for Ukraine), speaking on item 4, said his delegation fully endorsed the view that the collapse of central planning and the absence of a substitute market mechanism had reduced income and productivity levels. There was no doubt that the breakdown of the centrally planned economies in Central and Eastern Europe and the end of the East-West confrontation underlined the need to shift to market methods of development and convert military production capacities to civilian uses. His delegation could not agree, however, with the conclusions of the Special Advisory Group concerning the undesirability of developing special UNIDO programmes on reconversion of military production (see document IDB.11/10, para. 12). It was clear that working out such programmes would not be an easy task. It was also true that UNIDO possessed limited financial and human resources for such activities. Yet solving that problem was essential and had to be achieved on a comprehensive basis, not merely in specific enterprises.

59. Countries of his region were currently undergoing major economic difficulties. In many respects, the problems they faced were similar to those faced by developing countries. But such similarities were only superficial in nature. The economic potential of most countries of Central and Eastern Europe were such that they should be classed with industrially developed countries. The problems they now encountered related not to the lack of a given industrial branch but to the need to adapt such branches to market conditions. UNIDO could provide countries of the region with important assistance, both through the programme for development of small- and medium-scale industries and through the programme on industrial restructuring and modernization, among others. It was not a question of reallocating the Organization's limited financial and human resources to such matters, but rather of seeking and maintaining a just balance of interests among various regions within UNIDO's activities.

60. Mr. ARIZAGA (Observer for Ecuador) said UNIDO should adapt its role to changes in international affairs and the needs of Member States. The new Director-General had no easy task, for he had to ensure an improved distribution of competences within the Organization, furnish adequate financial resources and efficiently carry out activities that would truly benefit developing countries. In addition, the greatest possible savings had to be made and resources expended appropriately on priority activities. A streamlining of internal procedures would enable Member States to benefit from UNIDO's services more rapidly. He thanked the Director-General for the initiatives he had taken in that field.

61. His delegation welcomed the fact that investment promotion activities had increased in 1992 compared with the previous year. It was to be hoped that the same trend would continue in 1993. His country had taken steps to encourage investment and hoped to cooperate with the Secretariat in that area.

62. Referring to the UNIDO Country Director (UCD) programme, he said that maintaining the current number of UCDs was a priority. The activities of Country Directors must be expanded in line with the suggestions made by the Director-General at the ninth session of the Programme and Budget Committee.

63. Turning to item 10 on restructuring, including privatization, he said that a number of measures had been adopted in his country to give effect to its industrial policy objectives. He welcomed the information provided in document IDB.11/24, which showed that privatization had been included in UNIDO's programme and budget since the 1990-1991 biennium. His country had had first-hand experience with UNIDO's large-scale technical cooperation projects, as noted in paragraph 24 of the document. UNIDO should emphasize cooperation with the private sector, especially at the enterprise level. Advisory and institutional efforts were important, but were insufficient. Multilateral aid could not be used to provide direct support to individual enterprises, but UNIDO should strengthen the special trust fund mechanism in order to provide the goods and services required by individual enterprises. The Organization should also work more closely with the Inter-American Development Bank to facilitate the flow of development financing to industrial enterprises in developing countries. Rapidity and efficiency were the major components of successful cooperation in the industrial sector, and UNIDO should simplify and improve its procedures for cooperation with private enterprises.

64. Mr. ARASTOU (Islamic Republic of Iran) said his delegation reiterated its support for UNIDO's human resource development activities, reaffirming their validity as an important instrument for the industrialization of developing countries. The aim should be to facilitate the transfer of technology to developing countries. Human resource development programmes should be tailor-made for developing countries, not only from the standpoint of their economic and industrial situation, but also in terms of psychological, cultural and methodological aspects. To that end, there should be training programmes at the regional and subregional levels for different stages of industrial promotion programmes, particularly in regard to technology transfer and assimilation and technology appropriate to sustainable development. To achieve those goals, UNIDO should help developing countries to strengthen national capacities for carrying out human resource development programmes. Mobilization of institutional and infrastructure facilities in developing countries could lay the foundation for sustainable development in the future.

65. Enhancing the contribution of educational systems to the development of human resources could be very constructive. Accordingly, his delegation had requested UNIDO to carry out, on a cost-sharing basis, on-the-job training courses with contributions from technical universities and institutes in Iran.

66. The documentation on the item showed that, in 1992, UNIDO had carried out more than 50 per cent of its interregional training programmes in two countries alone. It was to be hoped that in future the same monopoly would not apply in human resource development programmes within UNIDO.

67. Mr. RUSINSKI (Observer for Poland), speaking on agenda item 10, said that the four countries in the Visegrad group had accumulated vast experience in building up - indeed, in creating from nothing - the basic institutions of the market economy. In his country, the imperative of privatization had acquired particular importance because of the collapse of an economic system based almost exclusively on State-owned enterprises. Poland's programme of privatization was one of the cornerstones of its entire systemic transformation. The programme was implemented on the basis of two options: capital privatization and privatization through liquidation. Poland was ready to share its experience, through UNIDO, with other countries, particularly those in the developing world.

68. Document IDB.11/24 presented UNIDO's activities in the area of industrial restructuring on several levels: policy and strategy, institutions and enterprises. The balanced presence of UNIDO at all those levels must be maintained. His country greatly appreciated UNIDO's integrated approach to industrial restructuring at enterprise level, in conjunction with its activities in the field of investment promotion. UNIDO could try to specialize further in the areas of preliminary diagnosis, feasibility studies, business plans, selection of foreign partners providing possible contacts with sources of credits for modernization, preparation of applications as requested by banks and training of management and labour. Training activities should be aimed at enhancing the ability to adjust of staff in the restructured enterprises. In the case of countries undergoing economic transformation, such training should not be concentrated exclusively in small- and medium-scale enterprises. Training of staff of State-owned enterprises with a view to increasing the efficiency of their operations would contribute to enhanced productivity and facilitate subsequent privatization.

69. Poland was benefiting from UNIDO's integrated approach to the restructuring of industrial enterprises. The technical assistance involved had been supported by a generous contribution from the Government of the United Kingdom. The first 10 pilot restructuring studies had been carried out, and a programme to cover four more enterprises was being prepared. That contribution reflected the donor country's appreciation of UNIDO's expertise and its confidence that the funds would be efficiently used.

70. Mr. RIANOM (Indonesia), speaking on item 4, said the development pattern of the past 40 years no longer made it possible to raise funds. It was likely that traditional donors would continue to reduce their development assistance because they, too, were dealing with major socio-economic changes.

71. Governments in developing countries faced major challenges in their efforts to improve standards of living, combat poverty and decrease unemployment. In seeking to revise their economic development strategies, they had concluded that small- and medium-scale industries must be promoted as cornerstones of long-term social progress. For those reasons, his delegation fully supported UNIDO's programmes and strategies designed to stimulate the effectiveness of small- and medium-scale industries in developing countries. It urged the Organization to make its policies more operational so that the comprehensive package of services would be fruitful for the developing countries.

72. Turning to item 8, he said that human resource development was designed to realize the capabilities, skills and self-reliance of peoples, especially in the developing countries. Any improvement in the quality of human resources should parallel the growing requirements for skills, expertise and professional services across the broad spectrum of development activities. Human resource development was also part and parcel of any effort to alleviate poverty.

73. One of the Board's main tasks must be to strengthen international cooperation for human resource development. Without the availability of adequate human resources, industrialization could not be effectively undertaken, and programmes and plans could not have real prospects for implementation. Human resource development should place emphasis on quality rather than quantity. In view of future challenges and the impact of the globalization process, programme managers in human resource development should be encouraged to centre their efforts on people, especially needy groups such as women, young people and the poor. Economic and technical cooperation among developing countries should be enhanced within human resource development programmes as an essential means of increasing the self-reliance of developing countries. Indonesia's second long-term development plan had been directed towards improving the quality of life and the mobility of people, thereby developing national resilience and optimizing benefits for individuals while enhancing human dignity in all its dimensions.

74. His delegation supported the integrated approach advocated by the Jakarta Plan of Action on Human Resources Development. In promoting various aspects of human resource development, UNIDO should increase its cooperation with other organs of the United Nations system.

75. Mr. AL-ERYANI (Observer for Yemen) said that due emphasis had been placed in UNIDO human resource development activities on the linkage between human resource development and the transfer of technology, in particular advanced technology, as well as the development of endogenous capabilities in training institutions in the developing countries. However, despite those commendable achievements, the funds provided for the UNIDO human resource development programme were insufficient for the basic needs. He therefore urged the Director-General to endeavour to allocate greater funds to that important programme. He also hoped that the professional staffing of the Industrial Human Resource Development Branch could be strengthened.

76. He welcomed the note concerning the in-depth evaluation of UNIDO industrial human resource development activities (IDB.11/CRP.3), and said that account should be taken of the role played by industrial human resource development in the development and transfer of technology, and in

particular advanced technology, to the developing countries. He noted with satisfaction the activities of the Organization in such fields as the training of managerial staff in modern methods of manufacturing spare parts and equipment, using advanced technology, in Africa, Asia and Latin America. He also noted the endeavour to expand the mandate of UNIDO in that field to include social and educational aspects. The basic task of UNIDO in the field of human resource development was focused on the training of industrial executives, factory managers and supervisors, and researchers in technology. In order to avoid any conflict regarding areas of competence, the social and educational aspects should be left as basic components of human resource development to the international institutions specialized in those areas. He hoped that his remarks would be of benefit to the Task Force on Priorities and Structural Reform of UNIDO, which his delegation supported.

77. Mr. SARBU (Romania) said that the current session of the Board was taking place at a time of profound transformations that were shaping a new world. Also UNIDO faced new challenges, which would mean a reassessment of its future role and a reorientation of its programmes. It was discouraging to note the substantial decline in resources for the current programming cycle and the poor outlook for the medium-term plan for 1994-1999, particularly in view of the difficulties facing most Member States. Indeed, for many of the countries in transition, earlier hopes of a swift and painless transformation to market economies had proved unrealistic. The complexity of the process had been underestimated: radical change would take longer and cost far more than had initially been anticipated. His country was nevertheless firmly committed to continuing the restructuring of its economy and was implementing a strategy for economic and social reform.

78. The emphasis that UNIDO policies now placed on small- and medium-scale industry as one of the medium-term plan priority areas constituted an approach that was both timely and relevant for his country, in view of the need to develop private entrepreneurship. Although the results achieved to date had only been partly satisfactory, the private sector had over the previous three years expanded from an insignificant level to more than 25 per cent of GDP. The programme of support to private entrepreneurs was designed to bring about a further significant increase in the number of small- and medium-scale private industries and in their share of the national economy, to encourage enterprise activity, particularly in branches with high rates of growth and fast-expanding domestic and foreign demand, and to implement new mechanisms and procedures to support small and medium-sized enterprises.

79. A further medium-term plan priority area of relevance to his country was industrial rehabilitation and modernization. In view of the significant decline in public investment and the low level of direct foreign investment in Eastern Europe, the more efficient use of existing installed capacities and improved productivity were the most economic means of achieving growth, competitiveness and profitability. The focus of the national rehabilitation programme was shifting towards the restructuring and privatizing of State-owned industry, and steps were being taken to eliminate plants that were inefficient, over-concentrated or uneconomically sited or suffered from overcapacity. The extensive privatization programme initiated that year had begun with offers of shares in small firms being made to employees under a simplified management and employee buy-out scheme and would continue with offers to domestic and foreign investors to bid for shares in medium-sized companies.

80. His country was determined to expand its cooperation with UNIDO. There were opportunities for formulating concrete programmes to restructure and modernize Romanian industry, and he was confident that UNIDO could offer appropriate advisory services in that connection. At the same time, his Government was ready to examine UNIDO projects and activities in whose implementation Romanian expertise and experience could be of benefit to the developing countries.

81. Mr. AL-TAIFI (Saudi Arabia) said, with regard to the UNIDO programme for small- and medium-scale industries (see document IDB.11/14), that it was important to provide assistance to the developing and the least developed countries in the area of small- and medium-scale industries in view of their flexibility, dynamic adaptation to changing market conditions and ability to respond to technological innovation, and their contribution to employment. However, small- and medium-scale industries lacked the resources to benefit from opportunities for growth, modern management methods and familiarity with markets and marketing strategies. UNIDO was therefore called upon to provide consultancy and guidance to such industries, in particular with respect to training and marketing, and to encourage discussion of important development issues. His delegation hoped that the findings of the interdepartmental working group analysing technical cooperation activities undertaken by UNIDO in the field of small- and medium-scale industries in recent years (see document IDB.11/14, para. 19) would be made available in good time for the forum of experts scheduled for September 1993. Finally, his delegation supported the proposal contained in paragraph 20 of document IDB.11/14.

82. Mr. FADLALLA (Sudan), referring to the progress report on the work of the Task Force on Priorities and Structural Reform of UNIDO (IDB.11/CRP.4), noted that the Constitution of UNIDO provided in Article 1 that the primary objective of the Organization was "the promotion and acceleration of industrial development in the developing countries"; that included the least developed countries, which were given particular mention in Article 2. According to Article 1, the Organization was also to "promote industrial development and cooperation on global, regional and national, as well as on sectoral levels". He hoped that those guidelines would be taken into account by the Organization in setting its priorities. The Mauritius Declaration adopted by the recent meeting of the Conference of African Ministers of Industry contained priorities for industrial development in Africa. He hoped that the UNIDO Task Force would incorporate those priorities in its own set of proposals. The UNIDO medium-term plan contained basic programmes and priorities, and the Task Force should take the medium-term plan into account in submitting its proposals. The future programmes and priorities of UNIDO should take into account the programmes for the least developed countries. UNIDO should follow up the recommendations of the Second United Nations Conference on the Least Developed Countries and, on that basis, devise effective

programmes to enable the least developed countries to accelerate their industrial development. One of the foremost priorities would be the development of appropriate technologies in tandem with human resource development for the industrial sector.

83. Cooperation between the developing countries was important for the development of self-reliance and endogenous capabilities, and should therefore be given a prominent place in the recommendations of the Task Force.

84. The establishment of UNIDO offices in other continents, including Africa, would bring the Organization closer to the developing countries, thus helping it better to understand and respond to the needs of those countries while also allowing considerable savings in financial and human resources. He hoped that that aspect would be given due consideration in the recommendations of the Task Force, and that some of the offices concerned would be located in the least developed countries.

85. Turning finally to privatization, he said that his country had recently completed a three-year economic recovery programme under which a number of industrial, economic and service enterprises had been successfully privatized. The Sudan hoped for UNIDO's support in its privatization efforts.

86. Mr. DE MARIA Y CAMPOS (Director-General), replying to points raised, said that the question of prioritization had to take account of demand patterns emerging in the developing countries and in the economies in transition, as well as the level of economic development and the size of the country concerned, among other things.

87. He noted the interest shown in prioritization in relation to privatization, an area which required a definition of UNIDO's approach in the context of the action taken by other organizations. In the past, UNIDO had responded to demand by Member States for assistance in policy-making, in institutional arrangements and at enterprise level. For 1994-1995 and the future, it would be important to decide what UNIDO should concentrate on, taking into account the work of other organizations. UNIDO was endeavouring to ensure the necessary coordination with other organizations.

88. Another important area was rehabilitation, but it had to be linked to investment, technical cooperation and the environment. Document IDB.11/20 did contain reference to the importance of the environment; for example, section I.2 under subprogramme I mentioned, alongside profitability and competitiveness, the need to ensure environmentally sustainable production, and section I.4 mentioned the consideration of environmental impact and energy consumption. Perhaps that aspect could be given more emphasis.

89. Regarding small and medium-scale industry, there were many ideas from developing and developed countries on the type of prioritization that could take place in that field. There was general interest in the policy and institutional levels, but at enterprise level, too, there was a request for participation, particularly through industrial associations or in individual cases that could have a multiplier effect or be considered pilot cases for a whole branch or region in developing countries.

90. Alongside what might be called the old areas of UNIDO activity, he thought that the big challenge facing the Organization was to think about the new areas in which UNIDO's services were being increasingly sought and what could be done in the future.

91. Coordination with other agencies was fundamental, and he was in the process of reviewing with other organizations the possibility of establishing clear-cut definitions regarding participation in certain areas, and of establishing some concrete programmes of cooperation for the benefit of the developing countries.

UNIDO POLICIES (continued) (IDB.11/27)

MEDIUM-TERM PLAN, 1994-1999 (IDB.11/27, IDB.11/28)

ORGANIZATIONAL AND STAFF STRUCTURE OF UNIDO (IDB.11/25; IDB.11/CRP.4)

NEW CONCEPTS AND APPROACHES FOR COOPERATION IN INDUSTRIAL DEVELOPMENT IN CONFORMITY WITH ARTICLE 2 (C) OF THE CONSTITUTION (IDB.11/13)

92. The PRESIDENT invited the Board to take up consideration of the second part of agenda item 4, "UNIDO policies" (with reference to document IDB.11/27), together with item 7, "Medium-term plan, 1994-1995", item 11, "Organizational and staff structure of UNIDO", and item 14, "New concepts and approaches for cooperation in industrial development in conformity with Article 2 (c) of the Constitution".

93. She would first give the floor to Mr. Balazs, the President of the tenth session of the Board, to introduce document IDB.11/28 on the relative priorities within the medium-term plan, 1994-1999, and UNIDO's future and reform in a changing world.

94. Mr. BALAZS (Hungary), President of the tenth session of the Board, said that, pursuant to decision IDB.10/Dec.8, a series of informal consultations had been held in the last three months to study the relative priorities in the 1994-1999 medium-term plan activities bearing in mind the financial and technical capacities of UNIDO. The consultations had been very open, although some delegations had been worried that the discussion had gone beyond the mandate set by the Board. Most participants had expressed concerns and made proposals on the future role and the necessary reforms of the Organization in a rapidly changing economic environment. The results of the consultations were set out in document IDB.11/28.

95. He would like to add some personal remarks. There were favourable conditions at the present time for the renewal of the Organization desired by Member States. UNIDO also had some undeniable comparative advantages, as listed in the document. UNIDO's efficiency depended largely on its financial capacity and any increase in its resources depended on its credibility. Only an efficient organization, held in respect by its Member States, could attract the necessary funds. With more funds and wider support, the importance of the Organization would grow. UNIDO was a universal organization with one primary objective, namely the promotion and acceleration of industrial development in the developing countries. No country in the United Nations sytem could feel excluded from the assistance channelled through UNIDO. Fundamental changes in the world economy raised new questions in that regard. There were

widely differing situations among developing countries, as well as among the so-called transition economies and the new States that had come into being. Incorporation of the transition economies into international assistance might create new markets and additional donors for less developed countries as well. More and more Member States shared the view that a specialized agency like UNIDO should not overemphasize the importance of traditional geographical regions, covering countries with different economic development levels, but should be guided by Member States' real industrialization needs. Foreign development assistance was needed first of all in the least developed countries. Most other countries were both donors and recipients, with various interactions among them and with the wealthiest net donor countries.

96. UNIDO should be a demand-driven agency. He would urge Governments to make a careful study of the proposed guidelines for priorities. The order of importance of the programme instruments depended on the wishes of the Governments of recipient countries and on the actual level of development of their economies. National Governments should also pay attention to the overall asessment and careful evaluation of assistance channelled through UNIDO. That was valid for countries that were donors, recipients or both. UNIDO and Governments could make joint efforts to ensure that the Organization was better known. In recipient countries, UNIDO's assistance should be widely published, possibly in native languages, to promote access and transparent decision-making for the benefit of companies, with special emphasis on small and medium-sized enterprises and private firms. The enterprise was the ultimate target of UNIDO's development assistance. Assistance was based on the requests formulated by Governments in accordance with their industrial policies, but closer contact with Governments and the private sector would bring fresh air into the Organization.

97. The report should not be considered the end of a short-term exercise, but rather the beginning of a consensus-building effort. It should lead to decisions at the current session of the Board and at the coming session of the Fifth General Conference. The process should be particularly encouraged by those countries in greatest need of development assistance, namely the least developed countries.

98. Mr. DE MARIA Y CAMPOS (Director-General) said that excellent work had been done under the presidency of Mr. Balazs. The three sessions of informal consultations had given the Director-General a chance to hear Member States' concerns and the comments made would be an important input for a proposal for the reform of UNIDO.

99. The task was a challenging and stiumulating one because it must be shown that the Organization could adapt to the new economic, political, technological and social environment. As requested during the recent informal consultations, the Secretariat had presented a brief progress report on the work of the Task Force on Priorities and Structural Reform of UNIDO in document IDB.11/CRP.4. He had established that Task Force on 1 June 1993 to begin the work that would culminate in decisions by the Member States at Yaoundé.

100. The Member States and the Secretariat attached the highest importance to the efforts to establish revised priorities for UNIDO's programmes in the light of contemporary conditions. That would be the basis for the restructuring of the Organization. Everybody was aware of the need for reform, but it was necessary to acknowledge the complexity of the task. Much of the work was still in progress and it had been decided to present a report with some broad conclusions and some guidelines. He was convinced that it was necessary to look closely at what industrialization currently meant and what UNIDO could do for developing countries and for international economic cooperation in the new world structure. There were two stages defined in the proposals: an analytical phase, aimed at getting a better picture of requirements, priorities and possible competitive advantages; and a proposal phase for proposing a new organizational structure for UNIDO, based on the conclusions reached in the analytical phase. An assessment had therefore been undertaken of projected demand for UNIDO's services in the developing regions. That was a difficult undertaking, as it was necessary to assess not only existing demand, but also the emerging demand pattern in the light of technological and other developments and changes in competitive capability. It was also necessary to look at the financing modalities. It was then necessary to relate emerging demand and financing patterns to specific activities, ranging from the development of an enabling environment to the development of an institutional technological infrastructure. It was also necessary to assess the comparative advantages of UNIDO and consider key areas. UNIDO's multidisciplinary expertise should be fully utilized. Human resources must be assessed and the present skill mix reviewed vis-à-vis the envisaged future demand. Many of the areas now of specific interest to developing countries had not existed two or three years previously.

101. Finally, the areas of concentration would have to be grouped into units of critical mass in terms of numbers of staff competent in the specific disciplines, together with the development of critical linkages between such units to ensure an efficient organizational base. That required determination of the critical mass for substantive activities and for the necessary supportive research activities, together with financing of such activities. The Secretariat would do its utmost to resolve the problems connected with the restructuring of priorities. It was often necessary to reconcile diverging views regarding, for example, the geographical versus substantive focus, the need for excellence, the need to merge previously more visible programmes into larger programmes and activities and the selection of key niches for UNIDO services in the future.

102. The Secretariat looked forward to guidance, support and understanding from Member States in that complex task, and it was hoped that a proposal would be ready for consideration by Member States in the autumn.

103. Mr. MUEGGE (Director, Strategy, Policy and Planning Office), Chairperson of the Task Force on Priorities and Structural Reform of UNIDO, said that the first stage of the exercise had been an assessment of the demand of the developing countries and the countries in transition and, on that basis, the identification of the key areas

for UNIDO's programmes. The findings of that assessment coincided with points that had already been raised. Thus, it had emerged that there was a need to create an enabling policy and institutional environment for sustained industrial development and competitiveness. A second point was that the private sector, being a major agent for industrial development, needed to have a conducive environment and support for investment. Many Governments were developing a new regulatory framework, for which they might need guidance and support. Thirdly, an active interest was evident in promoting foreign direct investment and associated know-how and technology transfers, in order to gain access to foreign markets and to remain competitive. The fourth area was the increasing need for concentrated efforts to upgrade technology and to enhance information systems to cope with increasing competition. The fifth concern of the countries studied related to small-scale industry and its twofold importance: firstly, to generate entrepreneurship for poverty alleviation and, secondly, to build up competitive systems between large- and small-scale industries where small-scale industries played the role of suppliers of services and specialized components. Sixthly, there was a need to look at the regional disparities that had emerged within many countries, necessitating policies and institutional and other support to generate regional development from below and to facilitate infrastructural improvements in the core regions. Another area related to the emergence and strengthening of regional groupings to facilitate the setting up of larger integrated industrial conglomerates and larger markets. The final point was the full awareness of the countries concerned of the environmental impact of industrial development and the need for proactive efforts in that area.

104. It had been confirmed that there was a strong demand for integrated technical cooperation services, rather than for individual, partial services, which might have been a feature in the past. That had prompted the compilation of development goals. If an integrated development programme was to be pursued, it would be necessary to focus on some perceived goals, based on the emerging demand pattern.

105. Six objectives (see document IDB.11/CRP.4, paras. 8-13) had so far been tentatively identified. The first was to promote self-sustained industrial growth. Some countries had witnessed an erosion of their established structures and greater attention should be given to building up indigenous capacity, in technology or in other services, or in trying to build a renewal process into the industrial structure to permit sustainable growth. The second goal was to promote equitable development, seeking to raise living standards and provide food and other essentials in poverty-stricken countries, regions and segments of the population. This would involve promoting small-scale industry to alleviate poverty, supporting the agro-industry and building materials subsectors and promoting rural industrialization, including entrepreneurship for women. The third objective was the development of human resources. It was necessary to develop entrepreneurial, technological and managerial skills and also to foster skill-intensive industries, so that the new skills were productively used in skill-based industries. The fourth objective was to promote environmentally sustainable development. That would include identifying problem industries, in terms of environment pollution and energy consumption, trying to apply clean technologies and providing advisory services on national policies. The fifth objective related to the international competitiveness of developing countries, involving advisory services to policy makers, competition policies as well as competitive structures, and the building up of industrial services to provide support to the manufacturing sector. At enterprise level, it meant promoting quality management, standardization, productivity, etc. The sixth and final objective was to foster international industrial cooperation; that covered the efforts to increase international investment cooperation and technological cooperation, including enterprise- to-enterprise cooperation, twinning agreements between institutions and, very importantly, subregional and regional groupings among the various countries concerned.

106. The aim was not to indicate any degree of focus in UNIDO activities or to indicate the structural pattern that UNIDO was endeavouring to work towards, but rather to help develop a substantive link between UNIDO programmes and developmental goals, to facilitate measurement of the impact of programmes on development and to make it easier to link UNIDO programmes with those of other multilateral and bilateral agencies.

107. It was necessary to identify the common activities that catered for all those objectives. Secondly, it was necessary to see which activities UNIDO should focus on to achieve an optimum impact for its services, given changing inter-agency cooperation, the scarce resources at Headquarters and the dynamic comparative advantages perceived for UNIDO. Thirdly, what supporting activities, logistic services and field representation would be needed to enhance those efforts? Finally, what professional profile was needed for Headquarters staff?

108. Mr. GUTIERREZ (Chile) said that his delegation's position on the approach to be adopted regarding the matter of UNIDO's restructuring and reorganization remained unchanged: it was essential first to examine the functions of the Organization before dealing with the question of its structure.

109. UNIDO had in the past been dependent on UNDP for funds for its programmes and had remained a mere executing agency. That situation had radically changed, and the Organization should now choose between two courses of action. It could become an industrial development bank, a solution which, although offering considerable advantages, would be unfeasible owing, among other reasons, to lack of political will. Alternatively, it could continue as a service organization but, without UNDP funding, it would be necessary to decide on the types of services which UNIDO could provide and for which funds would be available. As part of the new structure, it would be important to have a unit capable of mobilizing funds and identifying sources of finance, or research projects of other organizations in which UNIDO could become involved. Other important functions of the future UNIDO should include dissemination of information, e.g. on markets and technologies, and work in the areas of competitiveness, marketing and subcontracting networks. His delegation also attached great importance to the development of small and medium-sized industrial enterprises. Financing would be available, either

nationally or internationally, for activities in that area. The Organization's successful investment promotion programme was sufficient in itself to justify the continued existence of UNIDO.

110. The Organization needed a flexible structure, able to respond to demand and equipped with an infrastructure that would enable it to face the major challenges of development and provide appropriate solutions. The idea of an organizational structure with three departments, each headed by a Deputy Director-General, should be abandoned in favour of an arrangement involving several small units having no more than three or four decision-making levels, rather than the traditional pyramid structure. The Deputy Directors-General should form a collective group with the possibility of taking certain decisions and with responsibility for specific key activities such as fund-raising, project financing, competitiveness, small and medium-sized enterprises, strengthening of national capabilities, etc., relevant to the work of practically all the sections of the Organization. That would allow both coordination and the decentralization of decision-making. An appropriate methodology was also needed to ensure permanent links with Member States and industrial actors. In that connection, serious consideration should be given to the question of UNIDO's decentralization.

111. Although the organizational arrangement he suggested would represent a departure from the traditional structure of international organizations, he thought that it would provide UNIDO with the best framework for its operations in a changing world, bearing in mind its limited funds and the variety of demand, which rendered any attempt to impose rigid priorities difficult.

The meeting rose at 7.05 p.m.